

As a technical proposition, handling charges represent a retailer's cost of doing business, and are consequently always included in gross charges subject to tax. See, 86 Ill. Adm. Code 130.410. (This is a GIL).

April 25, 2002

Dear Xxxxx:

This letter is intended to clarify our March 28, 2002 letter to you which was in response to your letter dated December 19, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be found on the Department's website at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your December 19, 2001 letter, you stated and made inquiry as follows:

Please accept this request for a taxability determination based on the Sales and Use Tax laws of Illinois, for transportation charges associated with the sale of tangible personal property.

Transaction Details:

An Illinois customer places an order for merchandise with an out-of-state COMPANY catalog center. The customer elects to have the order shipped to an in-state COMPANY store. At the time the order is placed, the selling price of the merchandise plus transportation charges are billed to the customer's credit card. Title to goods passes to the customer prior to shipment. Transportation is separately stated and provided by a common carrier. Merchandise ships from an out-of-state COMPANY distribution center to an in-state COMPANY store. At the store the customer presents identification and then picks up their order.

Question:

Is the transportation charge taxable in the above scenario?

If more information is required, you may contact me.

The Department's letter stated that we could not determine if the transactions you described were phone orders made from a catalog. We then stated that "[i]f that is the case, and if the catalog order form requires a separate charge for delivery, the charges are deemed to be separately agreed to and, therefore, nontaxable." We have reviewed your letter further and have determined that in the situation you described, the transportation charge constitutes a charge for incoming freight. Charges for incoming freight are always costs of doing business and are included in gross receipts subject to tax. 86 Ill. Adm. Code 130.415(e).

I apologize for any confusion our first letter may have caused. I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:mzk
Enc.